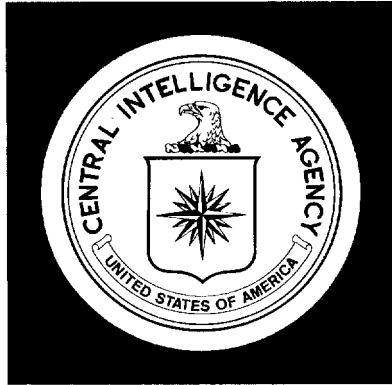


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CHINA: Recent domestic propaganda provides some indication of the kinds of contentious issues that may be raised at the coming Tenth Party Congress.

For several weeks Chinese media have been plugging the idea of selecting, training, and promoting ordinary workers to high political positions--one of a number of radical innovations introduced during the Cultural Revolution. The People's Daily on 14 July specifically praised the inclusion of substantial numbers of ordinary workers in the party central committee produced at the Ninth Congress in 1969.

For the most part, these worker-cadre, often poorly educated and unskilled in party affairs, have been systematically excluded from meaningful administrative posts in Peking and in the provinces. Indeed, party veterans who were purged or shunted aside during the Cultural Revolution and who have since been rehabilitated are today wielding more influence than the workers.

The fact that these workers-turned-officials do not occupy key administrative or policy-making posts may mean that the worker-cadre concept does not enjoy wide acceptance in Chinese officialdom. It is even possible that efforts may be under way to reduce worker-cadre representation on the central committee that should emerge from the Tenth Congress. If so, the current publicity given the question may be intended to discourage such a move. In the past, the advocacy of more worker representation in China's governing and administrative bodies has come from the left, and the issue of worker representation on the central committee may thus provide one more test of the relative strength of the moderate and extreme factions.

(continued)

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The practice adopted shortly after the Cultural Revolution of sending party officials to special schools for ideological remolding on a rotating basis has also received new prominence in recent press articles. Known as "7 May" cadre schools, after the Mao directive that launched the Cultural Revolution in 1966, these institutions have been highly unpopular. In the past year or so it has appeared that they were being phased out, but according to an editorial in the party daily on 11 July, an important conference was convened recently to consider steps to improve them. Evidently advocates of the schools are still intent on making them a permanent feature on the Chinese scene. This issue may also find its way onto the congress agenda.

So will such issues as the division of power in the ruling politburo, the succession question, economic priorities, and the political role of the military. The public airing given these cadre matters may be an indication of the intensity of the skirmishing among various interest groups within the leadership as the congress nears.

Peking has not yet disclosed when the congress will open, but recent reports indicate that the delegate selection process had been completed in some areas by the end of June. [REDACTED]

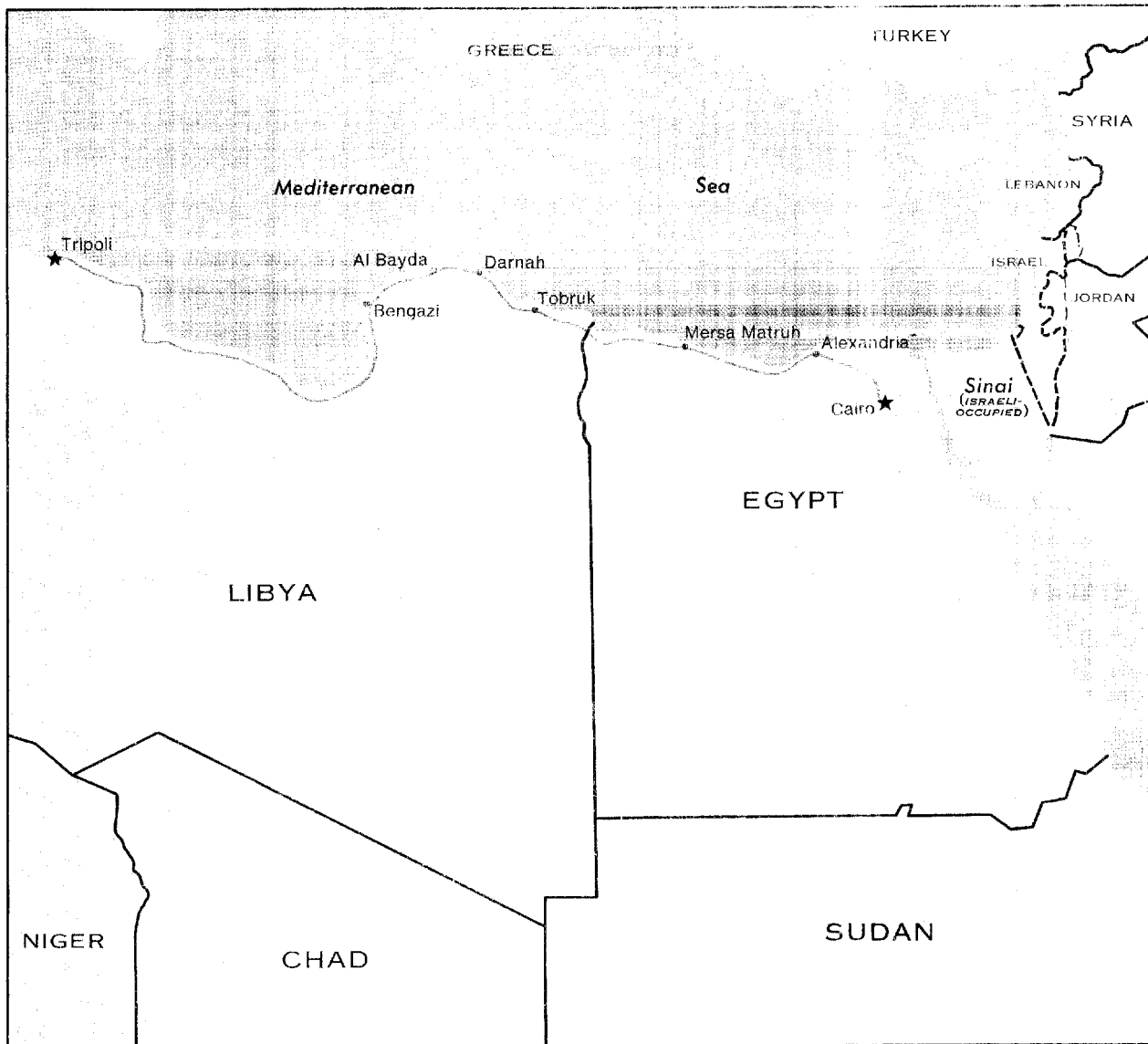
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EGYPT-LIBYA: Egyptian leaders are taking an outwardly relaxed approach to Qadhafi's "march on Cairo," but President Sadat seems determined to halt the procession before it reaches the capital. Real trouble could arise if Qadhafi pushes the march to its limits.

Egyptian authorities are preparing for some 40,000 Libyan marchers, but the actual numbers will probably be considerably less than that. The cavalcade, which appears to be traveling in several segments, is not likely to arrive en masse at the border.

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At this point, the Egyptians appear capable of halting the march well short of Cairo. There is a possibility, however, that the Libyans may clash with Egyptian security forces. Animosity between Egyptians and Libyans is long-standing and strong; much will depend on Egyptian restraint. The marchers from Tripoli left in a holiday spirit, but their attitude could change, particularly if food and other necessities run short and President Qadhafi pushes the march to its limits.

According to the latest reports, the Libyan leader is still in Bengazi and has yet to give a public blessing to the march. He probably hopes that the cavalcade will take on the aura of a strictly popular protest, but he may have to assume a more direct role to maintain the resolve of the marchers.

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INTERNATIONAL MONETARY DEVELOPMENTS: Official confirmation that the US was intervening in support of the dollar over the last week and the announcement of details of US Phase Four controls have yet to convince international money traders that prospects for the dollar have improved. Intervention by the US and European central banks has so far been limited, and general promises about future support have lost weight in the market. Some dealers called the Phase Four rules a disappointment, but given their lack of confidence in the dollar, they probably would have expressed skepticism over almost any new proposals.

The mark has again found its way to the top of the European joint float band, raising the possibility that speculators will try to push the mark out of the band or force another revaluation. Bonn's plan to tighten existing controls over foreign investment in German securities is aimed at making it more difficult for foreigners to acquire German marks for speculative purposes. Similar controls have done little to slow the mark's climb in recent years.

The continuing rise of the mark has produced complaints by the other European countries. They point to the higher prices of West German exports as evidence that Germany is exporting its inflation. At the same time, they see the severe credit restraints imposed by Bonn to slow inflation as curtailing German demand and their exports to Germany.

* * * *

The price of gold fell sharply in late trading yesterday and the dollar rose, following rumors that the French and German central banks had sold gold from their monetary reserves. It is unlikely that the French, the strongest advocates of gold as the prime reserve asset, have sold any gold. The vice president of the Bundesbank denied any German sales, although he had said earlier in the week that such sales were desirable. The price of gold closed in London at \$114.25 an ounce, down more than \$5 from Wednesday and \$12.75 from its all-time high. It was the lowest free market gold price since 30 May.

[REDACTED]

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UNITED NATIONS: The Security Council is scheduled to resume the Middle East debate this morning. After statements by Egypt, Israel, and Jordan the council is expected to adjourn until Tuesday or Wednesday, leaving a long weekend for intensive negotiations.

After the weekend, council meetings should continue through next week, with Egypt pressing for a statement on Israeli withdrawal from territories occupied since the 1967 war. Although the positions of the major parties are now as widely separated as when the debate recessed last month, council members still hope to find some formulation acceptable to the US and Israel, as well as meeting Egypt's requirement of continuing diplomatic motion. A draft resolution is being prepared by Yugoslavia and India and has been reported by British sources to be "extremely moderate." The announced Middle East trip of Secretary General Waldheim could be a restraining influence on the debate since Cairo may not want to threaten the visit with a disruptive session. [REDACTED]

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ITALY: Mariano Rumor's new coalition appears to be getting off on the right foot, although it faces serious problems in the months ahead. Rumor is expected to win a vote of confidence scheduled today in the Chamber of Deputies. He won approval in the Senate on Wednesday as the four center-left parties--Christian Democrats, Socialists, Social Democrats, and Republicans--defeated Liberal, Communist, and Neo-Fascist opposition by a wide margin.

In his initial address to parliament earlier this week, Rumor again singled out the fight against inflation as his number-one priority. He pledged to preserve public order by enacting a hotly debated law giving the police wider powers and stressed the need to "preserve religious peace." He sidestepped the explosive problems associated with the divorce referendum scheduled for next spring. On the perennially divisive topic of parliamentary relations with the Communist Party, Rumor emphasized the coalition's agreement to accept legislative proposals from the Communists only if all coalition parties are agreed--an attempt to ensure that the government does not have to depend on Communist votes.

Rumor is still benefiting from the momentum of his rapid coalition negotiations and the absence of an acceptable alternative to his center-left formula. His opening address was greeted warmly by all four coalition partners, and labor leaders gave qualified approval to the new government. The Communists maintain that although the coalition is a step forward from Andreotti's centrist government, it is an inadequate response to national needs.

Part of Rumor's success to date stems from his ability to secure very general agreements on the more divisive issues. The cohesion of his government will not be tested until the coalition partners are faced with the need this fall to add details to their vague understandings on these issues. [REDACTED]

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BANGLADESH-USSR: The Soviet ambassador in Dacca has told Bangladesh officials that the USSR has agreed in principle to divert to Bangladesh 200,000 tons of grain it has bought from the US. Although no formal agreement has yet been signed and details are still being worked out, the grain will presumably be returned in kind at a later date. The Soviet shipments reportedly will begin arriving within a week.

The US plans to have 280,000 tons of grain en route to Bangladesh by the end of September. In addition to these shipments, Dacca is hoping to arrange for an additional 500,000 tons to arrive before the end of the year; some would be used for immediate consumption and some for maintenance of essential stocks. [REDACTED]

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FOR THE RECORD*

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Ecuador: A Swiss firm made a high offer of \$5.01 a barrel in the reopened bidding for Ecuador's royalty crude oil, and it probably will be awarded the contract, which will cover 30,000 to 40,000 barrels a day. This is a record price in the international sale of crude oil and is considerably above the \$4.25 Nigeria is receiving. [REDACTED]

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 19 July 1973 approved the following national intelligence estimate:

NIE 29.1-73 "Short Term Prospects in
Greece" [REDACTED]

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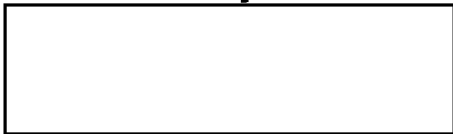
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